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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JULY 16, 1999

APPLICATION OF

GTE SOUTH INCORPORATED
(Contel, Virginia)

CASE NO. PUC940009

Annual Informational Filing

ORDER GRANTING MOTION FOR NOTICE AND REFUND

On July 6, 1999, the Staff of the State Corporation Commission ("Staff") filed a motion requesting that the Commission require GTE South Incorporated (Contel, Virginia) ("Contel") to refund to its customers \$3,202,282 plus interest for excessive earnings in the year 1993,¹ pursuant to the provisions of Paragraph 20 of the Commission's Experimental Plan for Alternative Regulation of Virginia Telephone Companies ("Plan").² The Staff further requested that the Commission direct Contel to publish notice of this matter and to establish a period for receipt of comments and requests for hearing.

¹ During calendar year 1993, GTE South Incorporated maintained separate operations in its Contel service area and in its Southwest service area, and filed separate Annual Informational Filings ("AIFs") and Cost Allocation Manuals ("CAMs") for each operation. Together, Contel and Southwest comprised the "GTE Companies."

² The Plan was ordered extended through December 31, 1993, in Case No. PUC920029, Order of June 18, 1993.

In support of its motion, the Staff stated that it filed its second supplemental Report³ which calculated an increase in the recommended refund amount from the Staff's August 16, 1995, original CAM/AIF report by \$1,959,482 to now total \$3,202,282. The Staff stated that the revised refund amount reflects the Commission's resolution, in Case No. PUC950019, of the issues regarding affiliate expenses for GTE Laboratories, Inc., and the revised Part 36 jurisdictional allocation of Contel's regulated accounts using the 1990 unweighted DEM (Dial Equipment Minutes) factor.

Based upon the revisions made to reflect the Commission-directed treatment of affiliated expenses and Part 36 jurisdictional allocation, the Staff calculated that Contel earned an intrastate tariffed services' return on equity of 15.20% for 1993. According to the Staff, this is in excess of the return on equity range of 12.00% to 14.00% ordered in Paragraph 18 of the Plan. GTE filed a letter indicating it had reviewed the Staff Report and intends to respond once a procedural schedule is established.

The Commission is of the opinion that Contel should be given opportunity to respond to all Staff Reports filed in this

³ We take judicial notice of this Case file to note that the Staff's second supplemental report was filed in this Case on July 29, 1998, and not on December 9, 1998, as erroneously stated in the first rhetorical paragraph of the Staff's Motion.

Case, and pursuant to Paragraph 20 of the Plan, should provide notice and opportunity for a hearing to interested parties. Accordingly,

IT IS THEREFORE ORDERED THAT:

(1) Contel may respond to all Staff Reports filed in this Case on or before August 9, 1999.

(2) Interested parties may file comments on the Staff Reports and/or Contel's response thereto, or requests for hearing on or before August 27, 1999.

(3) If no sufficient request for hearing is received, a formal hearing with oral testimony may not be held and the Commission may make its decision based upon the papers filed in this proceeding.

(4) Contel shall publish notice of this matter on one occasion in newspapers having general circulation throughout its service territory. Such notice shall be by display advertisement (not classified advertising) and shall be completed on or before August 9, 1999. The form of the notice shall be as follows:

NOTICE OF STATE CORPORATION COMMISSION
REVIEW OF EARNINGS OF GTE SOUTH INCORPORATED
(CONTEL, VIRGINIA) FOR CALENDAR YEAR 1993
AND ASSOCIATED REFUND TO CUSTOMERS
CASE NO. PUC940009

On July 6, 1999, the Staff of the State Corporation Commission ("Staff") filed a motion requesting that the Commission order

GTE South Incorporated (Contel, Virginia) ("Contel") to refund to its customers the amount of \$3,202,282 plus interest for excessive earnings in the year 1993, pursuant to the provisions of Paragraph 20 of the Commission's Experimental Plan for Alternative Regulation of Virginia Telephone Companies ("Plan").

On July 29, 1998, the Staff filed its second supplemental report in this matter, which recommended the refund amount of \$3,202,282.

Contel may file a response to all Staff Reports in this matter by August 9, 1999. Pursuant to Paragraph 20 of the Plan, any person desiring to comment on either the Staff Reports or Contel's response or both may do so on or before August 27, 1999. Interested parties may request copies of the Staff Reports from Don R. Mueller, Esquire, P.O. Box 1197, Richmond, Virginia 23218-0156 and Contel's response from Richard D. Gary, Esquire, Hunton & Williams, 951 East Byrd Street, Richmond, Virginia 23219-4074. Any interested party may also request a hearing by filing such request on or before August 27, 1999. All comments and requests for hearing shall be filed with the Clerk of the Commission, Joel H. Peck, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. All such filings should refer to Case No. PUC940009.

If no sufficient request for hearing is received, a formal hearing with oral testimony may not be held and the Commission may make its decision, based upon the papers filed in this proceeding.

GTE SOUTH INCORPORATED (CONTEL, VIRGINIA)

(5) Contel shall file proof of publication of the notice directed above on or before August 27, 1999.

(6) Contel shall serve a copy of this Order forthwith on the chair of the board of supervisors of any county and upon the mayor or manager of any county, city, or town (or upon equivalent officials in counties, towns, and cities having alternate forms of government) lying within Contel's service area. Service shall be made by first-class mail or delivery to the customary place of business or residence of the person served.

(7) This Case is now continued generally.